

Overview

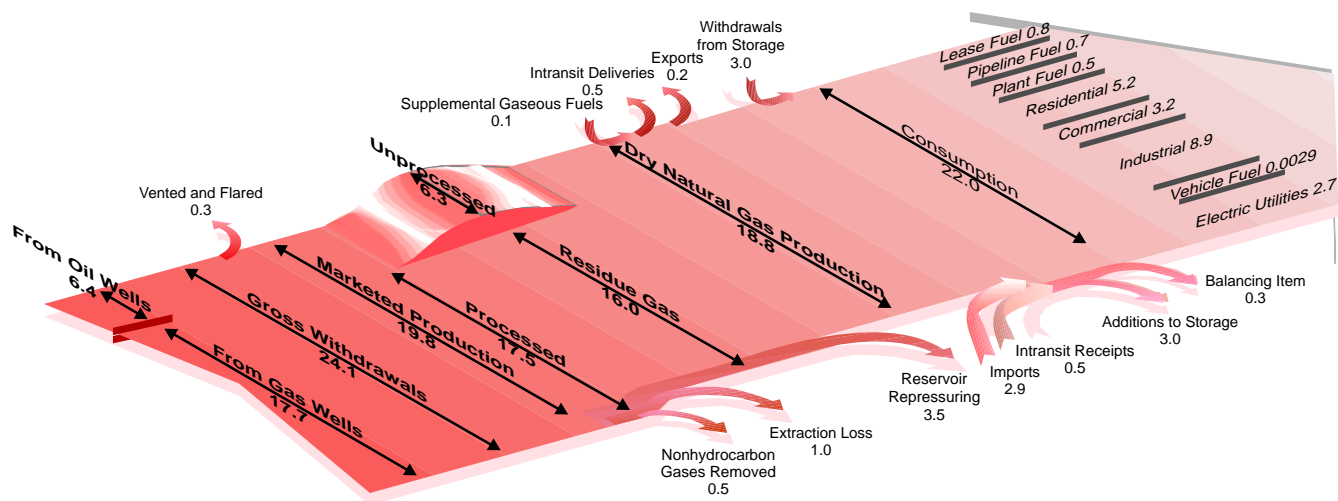
During 1996, the price of natural gas from the wellhead to the burner tip rebounded from the low levels seen in 1995. Despite these increases, the demand for gas remained strong. Consumption in 1996 reached 22 trillion cubic feet, only slightly below the record set in 1972. Production showed a slight increase over the previous year, less than 1 percent, and imports from Canada rose again. The way storage is managed by the industry continued to evolve with operators generally maintaining lower volumes in storage.

The price of gas at the wellhead climbed sharply, increasing by 40 percent from \$1.55 per thousand cubic feet in 1995 to \$2.17 in 1996. Other price increases varied greatly from sector to sector. Following the steep rise in price at the wellhead, prices at the city gate and for sales to the industrial and electric utility sectors also rose greatly. By contrast, prices paid for deliveries to the residential and

commercial sectors showed comparatively modest increases and were slightly lower than in 1994.

Marketed production of natural gas in 1996 was 244 billion cubic feet more than one year ago. A number of supply sources contributed to the greater gas production in 1996. Production from the entire Gulf of Mexico rose 3.2 percent over 1995 volumes. The Gulf of Mexico increase of 323 billion cubic feet together with notable increases in Arkansas and Colorado more than offset declines in onshore Louisiana, New Mexico, and Oklahoma. The trend for increasing gas production from the offshore Gulf of Mexico is expected to continue during the next few years. The extension of recovery opportunities into deep water has established the deep offshore as an area of considerable national significance.

Figure 1. Natural Gas Flow Diagram, 1996
(Trillion Cubic Feet)



Notes: Totals may not add due to independent rounding. In 1996, consumption of natural gas for agricultural use is classified as industrial use. In 1995 and earlier years, agricultural use was classified as commercial use.

Sources: Energy Information Administration (EIA), Form EIA-176, "Annual Report of Natural and Supplemental Gas Supply and Disposition"; Form EIA-895, "Monthly Quantity and Value of Natural Gas Report"; Form EIA-816, "Monthly Natural Gas Liquids Report"; Form EIA-759, "Monthly Power Plant Report"; Office of Fossil Energy, U.S. Department of Energy, Natural Gas Imports and Exports; U.S. Crude Oil, Natural Gas, and Natural Gas Liquids Reserves, Annual Reports, DOE/EIA-0216, and the U.S. Minerals Management Service.

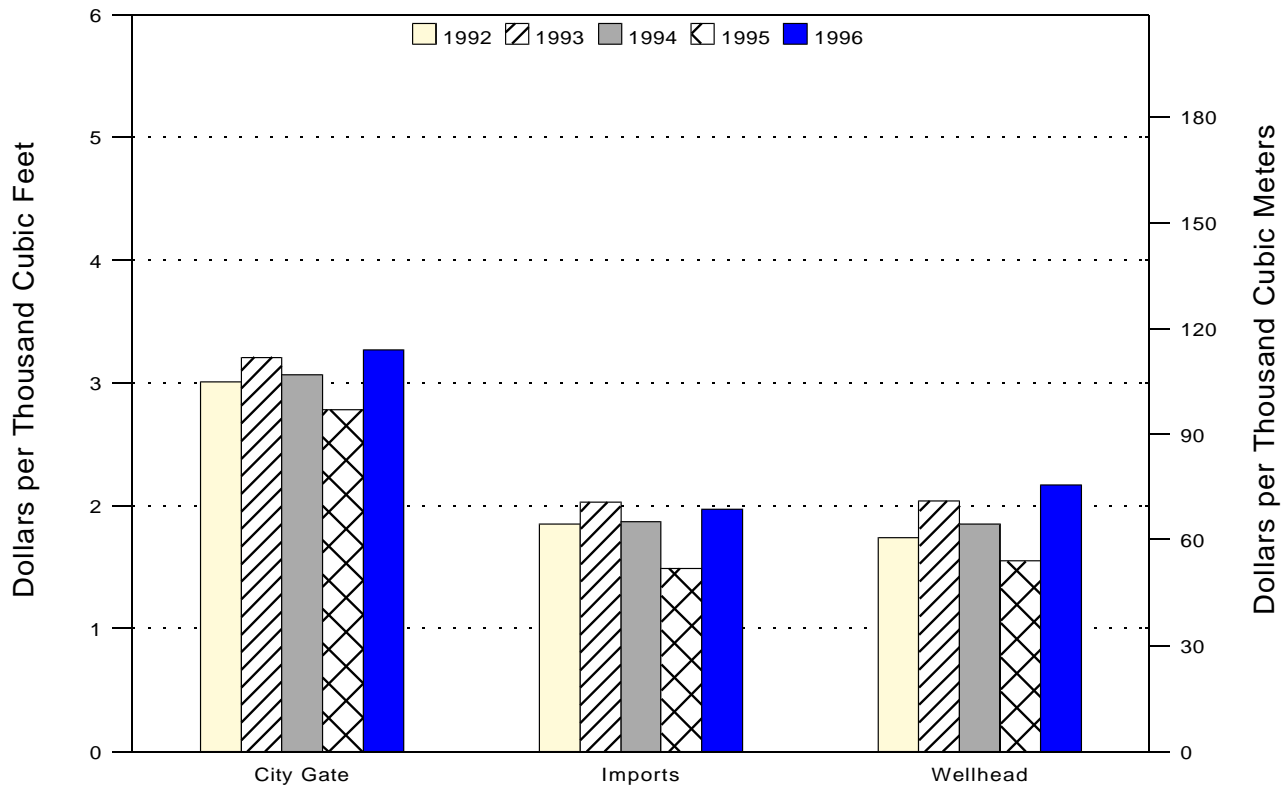
During 1996, net imports of natural gas rose for the 10th consecutive year, representing almost 13 percent of U.S. gas consumption. Exports remained at nearly the same level as one year ago. Canada continued its role as the major supplier of gas imported into the United States. However, the growth rate of U.S. imports of Canadian gas slowed as pipeline capacity utilization remained near its maximum level and capacity expansion grew only minimally. Mexico continued to become increasingly integrated into the North American natural gas market as cooperative projects among the North American nations proceeded. Spot purchases of liquefied natural gas (LNG) from the United Arab Emirates indicated that LNG transactions are becoming more flexible and responsive to changes in the world marketplace.

Changes in storage inventory management, which have been motivated by new technology and the increased competition resulting from regulatory reform, are leading operators to maintain lower storage volumes. Increased deliverability allows them to reduce stocks without sacrificing the ability to meet target levels of gas deliveries.

Working gas in storage on October 31, 1996, the beginning of the 1996-1997 heating season, were slightly below those available at the beginning of the previous heating season. During 1996, there were net storage additions of 2 billion cubic feet. By comparison, there were net withdrawals of 415 billion cubic feet in 1995.

Although electric utility consumption declined, deliveries to residential, commercial, and industrial consumers each set new records in 1996. In the residential and industrial sectors the prior record levels were attained in the early 1970's. Residential consumption was 5.2 trillion cubic feet, 8 percent higher than 1995 and 2 percent greater than the previous record in 1972. Nearly 1 million residential customers were added during 1996, about the same as the number added during 1995. Commercial consumption rose to 3.2 trillion cubic feet, 4 percent above the previous record level from one year ago. Industrial consumption was 8.9 trillion cubic feet, 3 percent above 1995 and 2 percent more than the previous record in 1973.

Figure 2. Selected Average Prices of Natural Gas in the United States, 1992-1996



Sources: Energy Information Administration (EIA), Form EIA-857, "Monthly Report of Natural Gas Purchases and Deliveries to Consumers"; Form FPC-14, "Annual Report for Importers and Exporters of Natural Gas" (1992 through 1994); Office of Fossil Energy, U.S. Department of Energy, Natural Gas Imports and Exports (1995 and 1996); Form EIA-627, "Annual Quantity and Value of Natural Gas Report" (1992 through 1995); and Form EIA-895, "Monthly Quantity and Value of Natural Gas Report" (1996).

Table 1. Summary Statistics for Natural Gas in the United States, 1992-1996

	1992	1993	1994	1995	1996
Reserves (billion cubic feet)					
Estimated Proved Reserves (dry) as of December 31	165,015	162,415	163,837	165,146	166,474
Number of Gas and Gas Condensate Wells					
Producing at End of Year	275,414	282,152	291,773	298,541	301,811
Production (million cubic feet)					
Gross Withdrawals					
From Gas Wells.....	16,164,874	16,691,139	17,351,060	17,282,032	17,680,777
From Oil Wells.....	5,967,376	6,034,504	6,229,645	6,461,596	6,370,888
Total.....	22,132,249	22,725,642	23,580,706	23,743,628	24,051,665
Repressuring	-2,972,552	-3,103,014	-3,230,667	-3,565,023	-3,510,330
Nonhydrocarbon Gases Removed	-280,370	-413,971	-412,178	-388,392	-518,425
Wet After Lease Separation	18,879,327	19,208,657	19,937,861	19,790,213	20,022,909
Vented and Flared.....	-167,519	-226,743	-228,336	-283,739	-272,117
Marketed Production	18,711,808	18,981,915	19,709,525	19,506,474	19,750,793
Extraction Loss.....	-871,905	-886,455	-888,500	-907,795	-958,178
Total Dry Production.....	17,839,903	18,095,460	18,821,025	18,598,679	18,792,615
Supply (million cubic feet)					
Dry Production.....	17,839,903	18,095,460	18,821,025	18,598,679	18,792,615
Receipts at U.S. Borders					
Imports.....	2,137,504	2,350,115	2,623,839	2,841,048	2,937,413
Intransit Receipts.....	486,163	324,093	487,760	492,481	536,333
Withdrawals from Storage					
Underground Storage.....	2,723,774	2,717,064	2,508,151	2,974,102	2,911,327
LNG Storage.....	48,534	82,189	70,689	50,446	69,287
Supplemental Gas Supplies	117,919	118,999	110,826	110,290	109,455
Balancing Item.....	-507,565	-109,593	-415,579	-230,002	278,937
Total Supply.....	22,846,233	23,578,326	24,206,711	24,837,044	25,635,365
Disposition (million cubic feet)					
Consumption	19,544,364	20,279,095	20,707,717	21,580,665	21,966,991
Deliveries at U.S. Borders					
Exports	216,282	140,183	161,739	154,119	153,393
Intransit Deliveries	486,161	324,093	472,499	492,481	536,333
Additions to Storage					
Underground Storage.....	2,555,393	2,759,738	2,796,279	2,565,882	2,905,592
LNG Storage.....	44,033	75,217	68,478	43,897	73,057
Total Disposition.....	22,846,233	23,578,326	24,206,711	24,837,044	25,635,365
Consumption (million cubic feet)					
Lease Fuel.....	710,250	723,118	699,842	792,315	800,004
Pipeline Fuel.....	587,710	624,308	685,362	700,335	711,446
Plant Fuel	460,571	448,822	423,878	427,853	450,033
Delivered to Consumers					
Residential.....	4,690,065	4,956,445	4,847,702	4,850,318	5,241,414
Commercial	2,802,751	2,861,569	2,895,013	3,031,077	3,158,244
Industrial.....	7,526,898	7,981,433	8,167,033	8,579,585	8,870,422
Vehicle Fuel.....	511	960	1,741	2,674	2,932
Electric Utilities	2,765,608	2,682,440	2,987,146	3,196,507	2,732,496
Total Delivered to Consumers.....	17,785,833	18,482,847	18,898,635	19,660,161	20,005,508
Total Consumption	19,544,364	20,279,095	20,707,717	21,580,665	21,966,991
Delivered for the Account of Others (million cubic feet)					
Residential.....	41,433	44,314	42,338	45,269	49,148
Commercial	471,009	460,097	599,058	706,139	706,667
Industrial.....	5,248,609	5,644,894	6,112,919	6,517,352	7,151,885
Electric Utilities	1,697,363	1,658,438	2,092,124	2,110,284	1,871,496

See footnotes at end of table.

Table 1. Summary Statistics for Natural Gas in the United States, 1992-1996 (Continued)

	1992	1993	1994	1995	1996
Firm Deliveries (million cubic feet)					
Residential.....	NA	4,957,208	4,843,995	4,846,360	5,236,112
Commercial	NA	2,553,679	2,559,500	2,650,412	2,799,442
Industrial.....	NA	4,624,853	4,734,106	5,140,048	5,388,436
Electric Utilities	NA	1,522,061	1,580,745	1,758,945	1,506,864
Vehicle Fuel.....	NA	792	1,336	2,449	2,674
Interruptible Deliveries (million cubic feet)					
Residential.....	NA	NA	3,706	3,958	5,301
Commercial	NA	307,890	335,513	380,665	358,802
Industrial.....	NA	3,356,581	3,432,927	3,439,537	3,481,986
Electric Utilities	NA	922,962	1,210,453	1,147,860	989,185
Vehicle Fuel.....	NA	168	405	225	258
Number of Consumers					
Residential.....	52,331,397	52,535,411	53,392,557	54,322,179	55,263,673
Commercial	4,409,699	4,464,906	4,533,905	4,636,500	4,720,227
Industrial.....	209,616	209,666	202,940	209,398	206,049
Average Annual Consumption per Consumer (thousand cubic feet)					
Residential.....	90	94	91	89	95
Commercial	636	641	639	654	669
Industrial.....	35,908	38,067	40,244	40,973	43,050
Average Prices for Natural Gas (dollars per thousand cubic feet)					
Wellhead (Marketed Production).....	1.74	2.04	1.85	1.55	2.17
Imports.....	1.85	2.03	1.87	1.49	1.97
Exports	2.25	2.59	2.50	2.39	2.97
Pipeline Fuel.....	2.07	1.97	1.70	1.49	2.27
City Gate.....	3.01	3.21	3.07	2.78	3.27
Delivered to Consumers					
Residential.....	5.89	6.16	6.41	6.06	6.34
Commercial	4.88	5.22	5.44	5.05	5.40
Industrial.....	2.84	3.07	3.05	2.71	3.42
Vehicle Fuel.....	4.05	4.27	4.11	3.98	4.34
Electric Utilities	2.36	2.61	2.28	2.02	2.69

NA = Not available.

Notes: Beginning in 1987, prices for gas delivered to consumers are calculated using only on-system sales data. No imputations are made for prices of gas delivered for the account of others. In previous years, prices were calculated using reported values and values imputed for gas delivered for the account of others. The United States includes the 50 states and the District of Columbia. Totals may not equal sum of components due to independent rounding. In 1996, consumption of natural gas for agricultural use is classified as industrial use. In 1995 and earlier years, agricultural use was classified as commercial use.

Sources: Energy Information Administration (EIA), Form EIA-176, "Annual Report of Natural and Supplemental Gas Supply and Disposition"; Form EIA-627, "Annual Quantity and Value of Natural Gas Report" (1992 through 1995); Form EIA-895, "Monthly Quantity and Value of Natural Gas Report" (1996); Form EIA-857, "Monthly Report of Natural Gas Purchases and Deliveries to Consumers"; Form EIA-816, "Monthly Natural Gas Liquids Report"; Form EIA-759, "Monthly Power Plant Report"; Form FERC-423, "Monthly Report of Cost and Quality of Fuels for Electric Plants"; Form EIA-191, "Underground Gas Storage Report"; Form FPC-14, "Annual Report for Importers and Exporters of Natural Gas" (1992 through 1994); Office of Fossil Energy, U.S. Department of Energy, Natural Gas Imports and Exports (1995 and 1996); U.S. Crude Oil, Natural Gas, and Natural Gas Liquids Reserves, Annual Reports, DOE/EIA-0216; and the U.S. Minerals Management Service.

Figure 3. Natural Gas Supply and Disposition in the United States, 1996
(Trillion Cubic Feet)

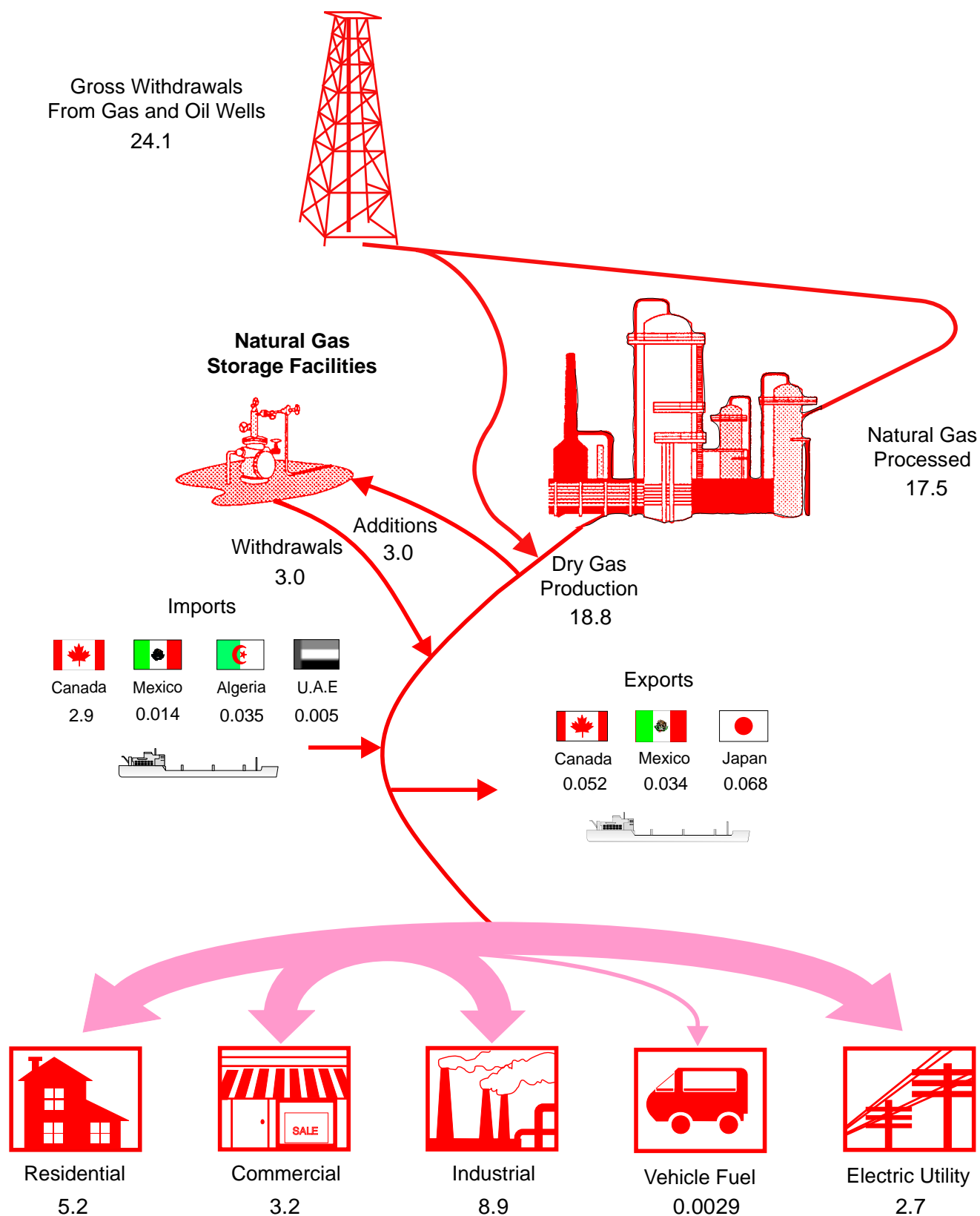


Table 2. Natural Gas Production, Transmission, and Consumption by State, 1996
(Million Cubic Feet)

State	Marketed Production	Extraction Loss	Balancing Item ^a	Net Interstate Movements ^b	Net Move- ments Across U.S. Borders ^c	Net Storage Changes ^c	Supplemental Gas Supplies	Consumption
Alabama	530,841	5,361	-35,808	-163,227	0	921	18	325,542
Alaska	480,828	38,453	73,996	0	-67,648	0	0	448,722
Arizona	463	0	-19,994	143,286	-3,405	0	0	120,350
Arkansas	221,822	479	-24,500	73,669	0	-150	0	270,661
California	286,494	12,169	-65,819	1,547,503	0	-51,305	0	1,807,314
Colorado	572,071	23,362	-240,412	-6,713	0	1,004	6,787	307,367
Connecticut	0	0	-5,784	134,294	0	680	48	127,878
D.C.	0	0	4,190	29,693	0	0	0	33,883
Delaware	0	0	11,055	42,980	0	11	1	54,026
Florida	6,006	1,649	-1,041	483,052	0	0	0	486,367
Georgia	0	0	5,057	378,006	0	-189	94	383,346
Hawaii	0	0	-88	0	0	0	2,761	2,672
Idaho	0	0	-1,765	-773,368	842,114	-25	0	67,006
Illinois	298	64	21,534	1,108,583	0	14,820	3,912	1,119,443
Indiana	360	0	-53,249	624,743	0	1,567	3,194	573,480
Iowa	0	0	-16,204	291,899	0	3,207	301	272,789
Kansas	712,796	47,996	-3,039	-310,913	0	-12,118	0	362,965
Kentucky	81,435	2,385	87,501	77,379	0	7,530	45	236,445
Louisiana	5,240,747	139,841	95,441	-3,549,945	7,042	-11,003	0	1,664,447
Maine	0	0	-241	5,907	0	4	61	5,722
Maryland	135	0	-14,538	210,215	0	4,166	882	192,528
Massachusetts	0	0	-60,001	378,718	33,232	-5,364	426	357,740
Michigan	245,740	6,399	-33,618	1,376,700	-557,653	31,671	21,848	1,014,947
Minnesota	0	0	-16,814	-551,116	937,806	2,158	709	368,426
Mississippi	103,263	340	372,489	-193,358	0	12,758	0	269,296
Missouri	25	0	7,022	286,485	0	48	785	294,270
Montana	50,996	576	-14,139	-563,027	576,420	-11,725	0	61,399
Nebraska	1,876	0	145,095	-12,764	0	1,617	315	132,906
Nevada	11	0	10,688	112,550	0	72	0	123,178
New Hampshire	0	0	-2,638	21,548	0	0	147	19,057
New Jersey	0	0	17,919	580,023	0	1,814	6,778	602,907
New Mexico	1,554,087	108,341	-93,135	-1,136,212	0	-5,338	0	221,736
New York	18,131	0	76,323	396,182	652,578	13,958	1,259	1,130,516
North Carolina	0	0	-13,425	226,797	0	218	0	213,155
North Dakota	49,674	4,937	-2,037	-55,646	6,110	0	55,867	49,030
Ohio	119,251	85	-241,361	1,067,640	0	10,844	1,828	936,430
Oklahoma	1,734,887	100,379	-10,233	-1,080,240	0	-22,961	0	566,995
Oregon	1,439	0	-11,418	177,554	0	-1,029	2	168,605
Pennsylvania	135,000	603	-192,298	845,998	0	60,400	266	727,963
Rhode Island	0	0	-24,660	106,591	0	-753	42	82,725
South Carolina	0	0	12,094	137,366	0	65	178	149,572
South Dakota	1,329	0	-980	36,327	0	-143	87	36,905
Tennessee	1,690	0	-44,277	321,649	0	-1,175	73	280,311
Texas	6,449,022	398,442	365,508	-2,472,067	-16,573	-63,869	0	3,991,316
Utah	250,767	10,970	-121,524	29,144	0	-12,955	0	160,371
Vermont	0	0	-3,470	-7,937	18,736	0	5	7,333
Virginia	54,290	0	-22,638	206,750	0	17	716	239,100
Washington	0	0	-36,154	-82,608	355,260	-2,140	0	238,639
West Virginia	178,984	7,093	141,363	-122,393	0	35,844	0	155,017
Wisconsin	0	0	4,981	397,714	0	-60	21	402,777
Wyoming	666,036	48,254	253,985	-775,410	0	-5,056	0	101,413
Total	19,750,793	958,178	278,937	0	2,784,020	-1,965	109,455	21,966,991

^a Balancing Item volumes are equal to Total Disposition (net storage changes plus extraction loss plus consumption) minus Total Supply (marketed production plus net interstate movements plus net movements across U.S. borders plus supplemental gas supplies).

^b Positive numbers denote net receipts; negative numbers denote net deliveries.

^c Negative numbers indicate withdrawals from storage in excess of additions to storage and are, therefore, additions to total supply.

Note: Totals may not equal sum of components due to independent rounding.

Sources: Energy Information Administration (EIA), Form EIA-176, "Annual Report of Natural and Supplemental Gas Supply and Disposition"; Form EIA-895, "Monthly Quantity and Value of Natural Gas Report"; Form EIA-816, "Monthly Natural Gas Liquids Report"; and the U.S. Minerals Management Service.